

# Town of Lunenburg



Financial Forecast Presentation

January 25, 2018

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# Why Forecast?

- Provides a starting point from which a balanced budget is developed
- Serves as an essential financial planning and policymaking tool
- Projects likely outcomes based on historical practices
- Allows to look at “what if” scenarios
- Indicates future budget gaps
- Projects revenues and expenditures conservatively over a five year period
- Required by Town’s Charter, Section 4-2 (s)
- Bond Rating Agencies look favorably upon communities that annually prepare a forecast document.

# Forecasting v. Budgeting

- Forecast provides a long-term and “big picture” financial perspective on service delivery using both known information & assumptions.
- The Budget is a specific plan detailing service delivery in the coming fiscal year

# Goals of Forecasting

- Gain a long-term perspective/ basis for planning
- Determine whether fiscal problems are on the horizon
- Time to plan for change, favorable or unfavorable
- Reinforce the need for long-range considerations during the annual budget process

# Forecasting- Key Concepts

- Uses reasonable assumptions that must be continually evaluated and updated
- Represents the community's projected financial position
- Is a tool to evaluate the impact of various budgeting decisions and policy choices over time
- Is a living document that can be adjusted
- Once you develop baseline projections, it's relatively easy to adjust the underlying assumptions to address issues
- Forecasted shortfall does imply that some action will be taken, or at least planned, to avoid the financing problem
  - Action to balance the budget
  - Raise revenue; Reduce expense; Adjust service levels

# Forecasting Tools & Guides

- MGL, Town Bylaws, other Generally Accepted Standards
- Board of Selectmen Financial Policies
- Trend Analysis
- Debt Service Schedules
- Union and Employment Contracts
- Assumptions

# Financial Policies

- Financial Management Policies & Objectives include:
  - Stabilization Fund Account: Deposit Free Cash in the amount of 5% of current FY Omnibus into Reg. Stab.
  - Use of Free Cash: 1) Reg. Stab. Account (above), 2) Fund non-reoccurring expenditures (Capital), 3) Special Purpose Stab., 4) OPEB
  - Capital Projects/ Purchases: Projects/Assets cost \$10,000 or more and useful life of 3+ yrs
  - Exempt and Non-Exempt Borrowing & Debt Burden:
    - Reg. Debt no more than 4% of regular tax levy
    - Total of annual debt for exempt debt no more than 11% of tax levy
    - Net Debt Service of Exempt and Non-Exempt no more than 14% of the tax levy
  - OPEB Funding: 10% of certified Free Cash from previous fiscal year

# Trend Analysis & Contractual Obligations

- Look at historical data to see what type of trends in revenues have occurred over periods of time. Use of historical data can assist in predicting future trends
- Union Contracts, Salary Administration Plan increases for non-union employees accepted by town meeting vote, employment contracts
- Existing Debt Service Schedules



# Assumptions for Financial Forecast- FY2019 - FY2023

Use data obtained from all sources mentioned to make assumptions about:

- Revenues
  - Property Taxes, State Aid, Estimated Local Receipts, Other Available Funds (Stabilization, Free Cash)
- Expenditures
  - All operational costs to provide a certain level of service including personnel for General Government, Public Safety, Education, Health and Sanitation, Cultural, Infrastructure costs (maintenance and utilities)
  - Debt Service
  - Assessments for Regional Services
  - Pension costs, Health/Life Insurance, General Insurance, OPEB
  - Reserve Fund, Stabilization
  - State Assessments

# Revenues: Known Figures and Assumptions

- Property Taxes: Know starting levy limit (prior year tax levy) + 2.5% (comply with Proposition 2 ½)
- Add New Growth (estimate \$300,000)
- Debt Exclusions are added to the Tax Levy Limit and are known figures per the debt schedule
- State Aid: Forecast assumes a 2% increase from previous fiscal year
- Local Receipts: Forecast assumes a 2.5% increase for MV Excise and a 2% increase in all other local receipt categories
- Other Available Funds: FY19 Forecast uses Target budget use of Free Cash; FY20-FY23 does not forecast Free Cash figure and uses the known MSBA amount reserved for Debt Service amount of \$59,959.

# Revenues-Property Taxes

## Town of Lunenburg

### Revenue Projections

	FY2017 Budget	FY2018 Budget	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
<b>PROPERTY TAX LEVY</b>							
Prior Year Tax Levy Limit	21,039,179	22,054,802	23,087,668	23,964,860	24,863,982	25,785,582	26,730,222
Amended Prior Growth	1,647						
2.5% Increase	526,021	551,370	577,192	599,122	621,600	644,640	668,256
Certified New Growth	487,955	481,496	300,000	300,000	300,000	300,000	300,000
Override							
<b>TAX LEVY LIMIT TOTAL</b>	<b>22,054,802</b>	<b>23,087,668</b>	<b>23,964,860</b>	<b>24,863,982</b>	<b>25,785,582</b>	<b>26,730,222</b>	<b>27,698,478</b>
Debt Exclusion(s)	2,716,157	2,760,808	2,745,093	2,700,003	2,619,918	2,599,169	2,579,039
Capital Expenditure Exclusion(s)							
Stabilization Fund Override	-	-	-	-	-	-	-
Other Adjustment							
Water/Sewer							
<b>MAXIMUM ALLOWABLE LEVY ①</b>	<b>24,770,959</b>	<b>25,848,476</b>	<b>26,709,953</b>	<b>27,563,985</b>	<b>28,405,500</b>	<b>29,329,391</b>	<b>30,277,517</b>
<b>LESS Excess Tax Levy Capacity</b>	<b>1,240</b>	<b>929</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL Tax Levy ②</b>	<b>24,769,719</b>	<b>25,847,547</b>	<b>26,709,953</b>	<b>27,563,985</b>	<b>28,405,500</b>	<b>29,329,391</b>	<b>30,277,517</b>

# Revenues-State Aid

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Budget	Budget	Projected	Projected	Projected	Projected	Projected

② DLS, Gateway, Taxrate, Tax Rate Recap.  
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## STATE AID CHERRY SHEET

Chapter 70 Education Aid	6,351,257	7,272,505	7,417,955	7,566,314	7,717,640	7,871,993	8,029,433
Charter Tuition Reimbursement	33,934	78,091	79,653	81,246	82,871	84,528	86,219
Charter Facility Reimbursement							
Smart Growth	119,257	119,257	119,257	119,257	119,257	119,257	119,257
School Lunch (offset)	-	-	-				
School Choice Receiving Tuition (offset)	268,906	281,212	286,836	292,573	298,424	304,393	310,481
Unrestricted General Government Aid	1,016,777	1,056,431	1,077,560	1,099,111	1,121,093	1,143,515	1,166,385
Veterans Benefits	81,303	45,280	46,186	47,109	48,051	49,013	49,993
Exemptions VBS and Elderly	66,101	58,172	59,335	60,522	61,733	62,967	64,227
State Owned land	47,275	47,230	48,175	49,138	50,121	51,123	52,146
Police Career Incentive		-					
Public Libraries (offset)	14,137	14,615	14,907	15,205	15,510	15,820	16,136
<b>TOTAL Cherry Sheet③</b>	<b>7,998,947</b>	<b>8,972,793</b>	<b>9,149,864</b>	<b>9,330,476</b>	<b>9,514,700</b>	<b>9,702,609</b>	<b>9,894,276</b>

# Revenues- Local Receipts

	FY2017 Budget	FY2018 Budget	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
<b>ESTIMATED LOCAL RECEIPTS</b>							
1. Motor Vehicle Excise	1,543,500	1,582,088	1,621,640	1,662,181	1,703,736	1,746,329	1,789,987
2a. Meals Excise	118,080	100,666	103,183	105,246	107,351	109,498	111,688
2b. Room Excise	-	-	-	-	-	-	-
2c. Other Excise	-	-	-	-	-	-	-
3. Penalties/Interest on Taxes and Excises	179,520	202,888	207,960	212,119	216,362	220,689	225,103
4. Payment In Lieu of Taxes	1,668	1,700	1,743	1,777	1,813	1,849	1,886
5. Charges for Services-Water	-	-	-	-	-	-	-
6. Charges for Services-Sewer	-	-	-	-	-	-	-
7. Charges for Services-Hospital	-	-	-	-	-	-	-
8. Charges for Services-Solid Waste Fees	-	-	-	-	-	-	-
9. Other Charges for Services	-	-	-	-	-	-	-
10. Fees	125,664	126,250	129,406	131,994	134,634	137,327	140,073
11. Rentals	-	-	-	-	-	-	-
12. Dept. Revenue-Schools	70,000	71,400	72,828	74,285	75,770	77,286	78,831
13. Dept. Revenue-Libraries	-	-	-	-	-	-	-
14. Dept. Revenue-Cemeteries	4,080	4,162	4,266	4,266	4,266	4,266	4,266
15. Dept. Revenue-Recreation	-	-	-	-	-	-	-
16. Other Departmental Revenue	282,000	248,100	254,303	259,389	264,576	269,868	275,265
17. Licenses/Permits	248,880	273,378	280,212	285,817	291,533	297,364	303,311
18. Special Assessments	14,994	15,294	15,676	15,990	16,310	16,636	16,969
19. Fines and Forfeits	35,700	22,500	23,063	23,524	23,994	24,474	24,964
20. Investment Income	54,060	45,000	46,125	47,048	47,988	48,948	49,927
21. Medicaid Reimbursement	-	-	-	-	-	-	-
22. Misc. Recurring	-	-	-	-	-	-	-
23. Misc. Non-Recurring	307,688	247,391	254,062	259,143	264,326	269,612	275,005
<b>TOTAL Local Receipts</b>	<b>2,985,834</b>	<b>2,940,817</b>	<b>3,014,466</b>	<b>3,082,779</b>	<b>3,152,660</b>	<b>3,224,146</b>	<b>3,297,276</b>

# Revenues- Other Available Funds

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Budget	Budget	Projected	Projected	Projected	Projected	Projected

## AVAILABLE FUNDS/OTHER FINANCING

Free Cash	250,000	720,953	793,886	-	-	-	
Other Available Funds	64,637	97,590	59,959	59,959	59,959	59,959	59,959
<b>TOTAL Available Funds</b>	<b>314,637</b>	<b>818,542</b>	<b>853,845</b>	<b>59,959</b>	<b>59,959</b>	<b>59,959</b>	<b>59,959</b>

- Other Available Funds include Free Cash, Stabilization Funds, Overlay Surplus, Chapter 90 funds, Receipts Reserved for Appropriation
- Budgeted as needed to cover appropriate expenses
- Forecast does not project Free Cash, does not use free cash for operating expenses, and uses current stabilization fund balances in excess of target balances
- Follows financial policies on stabilization fund balances and use of free cash

# Revenue Assumptions- Enterprise Funds

- Revenues from Enterprise Funds are segregated from the general fund. These funds are self supporting
- Receipts = Projected Expenses plus indirect costs budgeted in the general fund
- Sewer, Water, Solid Waste

# Five Year Forecast:

## Revenues vs. Expenditures

### Summary of Projected Revenues and Expenditures

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
	Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
Grand Total Revenues	\$38,711,082.90	\$41,305,157.47	\$42,206,997.50	\$42,486,070.97	\$43,581,691.47	\$44,764,977.04	\$45,977,899.26
Grand Total Expenditures	\$38,711,082.90	\$41,305,157.47	\$41,909,660.32	\$42,895,851.90	\$44,012,650.46	\$45,181,157.23	\$46,465,267.37
Total Surplus/(Shortfall)	0	0	297,337	(409,781)	(430,959)	(416,180)	(487,368)



# Expenditures

- Forecast uses moderately conservative approach
- Looks at actual expenditures from previous years for historical trends
- Uses the current budget year as the base
- Personnel costs: only current obligations in collective bargaining contracts, current employment contracts, and approved wage and classification plans for non-union personnel
- Future contract settlements and compensation plan adjustments should be analyzed in separate worksheet to see the net effect using % increases
- Expenses: Look at annually, historical expenditures, forecast conservatively and maintain service levels

# Expenditure Categories

- Personnel and expenses related to providing a level of service which includes contractual obligations
- Education costs
- Debt Service (General Fund, Enterprise Funds, Temp. Interest)
- Capital (as adopted)
- Group health/life insurance, retirement, general insurance
- Amounts to be raised: Tax Title, Overlay, Cherry Sheet Offsets, Prior year deficits, snow and ice deficits, court judgments
- State Assessments
- Reserve Fund, Special Articles, transfers to stabilization, special purpose stabilization, OPEB

# Expenditure Assumptions

- Forecast document will:
  - Adhere to adopted financial policies
    - Make deposit to Stabilization Fund to maintain required balance
  - Honor all contractual obligations, such as debt service schedules and union contracts
  - Provide same level of service, except where noted
  - Include 2% increase in most services & commodities
  - Utility costs projected in accordance with contracts & usage. Based on trend analysis we are using 1.5% for electricity and 3% for other utilities.
  - Retirement Assessment: Assumes 10% increase in assessment
  - Health Insurance: Assumes 8% increase

# Expenditures

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted

## Expenditures

General Government	1,288,769	1,336,339	1,377,834	1,388,608	1,404,982	1,408,023	1,424,920
Public Safety	2,735,389	2,941,492	3,102,305	3,126,460	3,134,033	3,141,757	3,149,636
Education	19,353,967	20,598,833	21,217,351	21,854,843	22,511,618	23,188,261	23,885,374
Public Works	1,673,537	1,589,171	1,642,384	1,707,979	1,774,295	1,841,548	1,910,065
Facilities & Buildings	607,217	753,216	630,676	635,240	641,800	648,526	655,423
Recycling Program	174,150	153,230	156,360	159,487	162,677	165,930	169,249
Health & Sanitation	69,154	70,867	72,939	74,381	75,190	76,015	76,857
Library	370,739	381,710	395,108	401,615	404,148	406,732	409,367
Public Assistance	217,720	239,800	241,701	243,183	243,368	243,557	243,750
Debt Service	4,858,015	4,824,108	4,681,722	4,469,169	4,342,663	4,216,711	4,122,858
General Government Unclassified	2,664,231	2,911,296	3,076,671	3,341,958	3,633,274	3,953,211	4,304,622
Central Purchasing	55,303	55,303	55,303	56,409	57,537	58,688	59,862
Other Amounts Raised	1,483,773	1,584,880	1,706,558	1,846,443	1,998,737	2,164,669	2,345,586
State Assessments	1,133,807	1,388,782	1,423,502	1,459,089	1,495,566	1,532,956	1,571,279
Total Misc. Appropriations	745,709	1,136,882	1,037,000	1,038,740	1,040,515	1,042,325	1,044,172
<b>Total Expenditures</b>	<b>\$ 37,431,480</b>	<b>\$ 39,965,910</b>	<b>\$ 40,817,412</b>	<b>\$ 41,803,604</b>	<b>\$ 42,920,403</b>	<b>\$ 44,088,909</b>	<b>\$ 45,373,019</b>

# Expenditures-Debt

## Town of Lunenburg

### Debt

	FY2016 Actual	FY2017 Budget	FY2018 Budget	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Total General Fund Regular Debt	\$ 747,343.30	\$ 752,397.10	\$ 679,453.60	\$ 554,091.11	\$ 386,786.07	\$ 352,723.58	\$ 344,769.54	\$ 292,731.98
Total General Fund Excludable Debt	\$ 3,031,855.05	\$ 3,251,105.40	\$ 3,296,637.16	\$ 3,280,667.58	\$ 3,235,320.36	\$ 3,154,969.64	\$ 3,133,948.15	\$ 3,113,539.79
Total General Fund Short-term Interest	\$ 4,250.52	\$ 5,574.68	\$ 4,157.21	\$ 2,716.67	\$ -	\$ -	\$ -	\$ -
Total Sewer Debt	\$ 751,680.15	\$ 832,229.55	\$ 836,151.59	\$ 837,492.69	\$ 841,290.73	\$ 830,187.83	\$ 734,203.76	\$ 713,596.33
<b>Grand Total Debt Service</b>	<b>\$ 4,535,129.02</b>	<b>\$ 4,841,306.73</b>	<b>\$ 4,816,399.56</b>	<b>\$ 4,674,968.05</b>	<b>\$ 4,463,397.16</b>	<b>\$ 4,337,881.05</b>	<b>\$ 4,212,921.45</b>	<b>\$ 4,119,868.10</b>
Premiums/MSBA Reimb Excludable Debt	\$ 537,007.92	\$ 536,130.64	\$ 535,829.39	\$ 535,574.41	\$ 535,316.88	\$ 535,051.19	\$ 534,779.55	\$ 534,501.26
<b>Net Excludable Debt - Tax Levy - DE1</b>	<b>\$ 2,494,847.13</b>	<b>\$ 2,714,974.76</b>	<b>\$ 2,760,807.77</b>	<b>\$ 2,745,093.17</b>	<b>\$ 2,700,003.48</b>	<b>\$ 2,619,918.45</b>	<b>\$ 2,599,168.60</b>	<b>\$ 2,579,038.53</b>
Regular Debt Administrative Fees	\$ 390.83	\$ 351.91	\$ 312.03	\$ 287.65	\$ 262.78	\$ 237.40	\$ 211.51	\$ 185.10
Sewer Debt Administrative Fees	\$ 6,805.23	\$ 16,504.24	\$ 7,396.65	\$ 6,466.45	\$ 5,509.39	\$ 4,544.14	\$ 3,577.88	\$ 2,804.97
<b>Transfer from Sewer Enterprise - Sewer Debt Service</b>	<b>\$ 758,485.38</b>	<b>\$ 848,733.79</b>	<b>\$ 843,548.24</b>	<b>\$ 843,959.14</b>	<b>\$ 846,800.12</b>	<b>\$ 834,731.97</b>	<b>\$ 737,781.64</b>	<b>\$ 716,401.30</b>
<b>Transfer from Septic Receipts Reserved</b>	<b>\$ 10,868.00</b>	<b>\$ 10,868.00</b>	<b>\$ 10,868.00</b>	<b>\$ 10,868.00</b>				
<b>Meadow Woods Water Betterment Revenue</b>	<b>\$ 62,781.00</b>	<b>\$ 62,781.00</b>	<b>\$ 62,781.00</b>	<b>\$ 62,781.00</b>	<b>\$ 62,781.00</b>	<b>\$ 62,781.00</b>	<b>\$ 62,781.00</b>	<b>\$ 62,781.00</b>
<b>Net Regular Debt Service</b>	<b>\$ 678,335.65</b>	<b>\$ 684,674.69</b>	<b>\$ 610,273.84</b>	<b>\$ 483,446.43</b>	<b>\$ 324,267.85</b>	<b>\$ 290,179.98</b>	<b>\$ 282,200.05</b>	<b>\$ 230,136.08</b>
<b>% of Net Regular Debt to Levy (cap of 4% per Policy)</b>	<b>3.22%</b>	<b>3.10%</b>	<b>2.64%</b>	<b>2.02%</b>	<b>1.30%</b>	<b>1.13%</b>	<b>1.06%</b>	<b>0.83%</b>
<b>Net Excludable Debt</b>	<b>\$ 2,494,847.13</b>	<b>\$ 2,714,974.76</b>	<b>\$ 2,760,807.77</b>	<b>\$ 2,745,093.17</b>	<b>\$ 2,700,003.48</b>	<b>\$ 2,619,918.45</b>	<b>\$ 2,599,168.60</b>	<b>\$ 2,579,038.53</b>
<b>% of Excludable Debt to Total Levy (cap of 11% per Policy)</b>	<b>10.61%</b>	<b>10.96%</b>	<b>10.68%</b>	<b>10.28%</b>	<b>9.80%</b>	<b>9.22%</b>	<b>8.86%</b>	<b>8.52%</b>
<b>% of Aggregate Debt Service Costs to Total Levy (cap of 14% per Policy)</b>	<b>13.49%</b>	<b>13.73%</b>	<b>13.04%</b>	<b>12.09%</b>	<b>10.97%</b>	<b>10.24%</b>	<b>9.82%</b>	<b>9.28%</b>

# Expenditures- FY19 Forecast

Forecast, FY19		
% of Total Increase	Total Dollar Change	Department
4.87%	\$ 41,495	General Government
18.89%	\$ 160,813	Public Safety
72.64%	\$ 618,518	Education
6.25%	\$ 53,213	Public Works
-14.39%	\$ (122,540)	Facilities & Buildings
0.37%	\$ 3,130	Recycling Program
0.24%	\$ 2,072	Health & Sanitation
1.57%	\$ 13,398	Library
0.22%	\$ 1,901	Public Assistance
-16.72%	\$ (142,386)	Debt Service
19.42%	\$ 165,375	General Government Unclassified
0.00%	\$ -	Central Purchasing
14.29%	\$ 121,678	Other Amounts Raised
4.08%	\$ 34,720	State Assessments
-11.73%	\$ (99,882)	Total Misc. Appropriations
	\$ 851,505	Total

# Expenditures-FY19 Target Budget

Target, FY19		
% of Total Increase	Total Dollar Change	Department
6.43%	\$ 34,865	General Government
29.65%	\$ 160,813	Public Safety
114.03%	\$ 618,518	Education
9.81%	\$ 53,213	Public Works
-22.59%	\$ (122,540)	Facilities & Buildings
0.58%	\$ 3,130	Recycling Program
0.38%	\$ 2,072	Health & Sanitation
2.47%	\$ 13,398	Library
0.35%	\$ 1,901	Public Assistance
-26.25%	\$ (142,386)	Debt Service
30.49%	\$ 165,375	General Government Unclassified
0.00%	\$ -	Central Purchasing
16.04%	\$ 87,013	Other Amounts Raised*
-42.98%	\$ (233,095)	State Assessments*
-18.41%	\$ (99,882)	Total Misc. Appropriations
	\$ 542,395	Total
		*Uses Governor's Budget Proposal

# Expenditures- FY19 Above Target Budget

<b>Above Target Budget, FY19</b>		
<b>% of Total Increase</b>	<b>Total Dollar Change</b>	<b>Department</b>
2.55%	\$ 38,865	General Government
34.62%	\$ 527,019	Public Safety
78.34%	\$ 1,192,671	Education
5.84%	\$ 88,971	Public Works
-8.05%	\$ (122,540)	Facilities & Buildings
0.21%	\$ 3,130	Recycling Program
0.14%	\$ 2,072	Health & Sanitation
0.88%	\$ 13,398	Library
0.12%	\$ 1,901	Public Assistance
-9.35%	\$ (142,386)	Debt Service
10.86%	\$ 165,375	General Government Unclassified
0.00%	\$ -	Central Purchasing
5.72%	\$ 87,013	Other Amounts Raised
-15.31%	\$ (233,095)	State Assessments
-6.56%	\$ (99,882)	Total Misc. Appropriations
	\$ 1,522,512	Total
Includes 1 additional FT PO, 5 additional FF/Medics, 5.5% increase LPS, Governor's Proposal		



# Forecast vs. Target Budget: FY19

- Revenues: Forecast uses 2% increase for State Aid, Target budget uses Governor's budget of less than 1% increase (.68%)
- Expenditures: Forecast uses 2% increase in Cherry Sheet Charges and Target budget uses Governor's budget of a 15.5% decrease. Forecast and Target budget use 3% increase in Schools; Superintendent's request is approximately 5.5% increase. Retirement Assessment for FY19 came in slightly higher than 10% in forecast. Will not have final health insurance figures until February/March.

# Forecast- Next Steps

- Continued discussion of Assumptions, if needed
- Firm up Revenue Estimates
- Review of Department's requests against target budgets
- Receive insurance renewals & other Assessments
- Begin review of FY2019 Budget
  - Town Manager's Recommendation 02/15/18
    - Target & Above Target
    - Target Budget leaves a surplus of \$200 in Free Cash that would go towards next year's Free Cash balance
  - BOS & FinCom Review, February – March 2016
  - Annual Town Meeting- May 5, 2018
- Detailed Schedule for 2018 ATM in packet